

May 21, 2010

# Inspector General

## United States

## Department *of* Defense



American Recovery and Reinvestment Act  
Project—Airfield Repairs at Naval Air  
Station/Joint Reserve Base,  
New Orleans

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## **Acronyms and Abbreviations**

FAR	Federal Acquisition Regulation
NAS/JRB	Naval Air Station/Joint Reserve Base
NAVFAC	Naval Facilities Engineering Command
OMB	Office of Management and Budget
PWD	Public Works Department
QMAD	Quantitative Methods and Analysis Division



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202-4704

MAY 21 2010

MEMORANDUM FOR NAVAL INSPECTOR GENERAL  
COMMANDING OFFICER, NAVAL FACILITIES  
ENGINEERING COMMAND, SOUTHEAST

SUBJECT: American Recovery and Reinvestment Act Project—Airfield Repairs at  
Naval Air Station/Joint Reserve Base, New Orleans (Memorandum  
No. D2010-RAM-006)

We are providing this report for your information and use. We performed this audit in response to the requirements of Public Law 111-5, The American Recovery and Reinvestment Act of 2009. We considered management comments on a discussion draft of this report in preparing the final report. No additional comments are required.

We appreciate the courtesies extended to the staff. Please direct questions to Mr. Timothy Wimette at (703) 604-8876 (DSN 664-8876).

Alice F. Carey  
Assistant Inspector General  
Readiness, Operations, and Support





# Results in Brief: American Recovery and Reinvestment Act Project—Airfield Repairs at Naval Air Station/Joint Reserve Base, New Orleans

## What We Did

Our overall objective was to evaluate DOD's implementation of the American Recovery and Reinvestment Act of 2009, February 17, 2009. Specifically, we determined whether Navy personnel adequately planned, funded, executed, and had personnel and procedures in place to track and report project RM03-08 for airfield repairs at Naval Air Station (NAS)/Joint Reserve Base (JRB) New Orleans to ensure the appropriate use of Recovery Act funds.

## What We Found

We determined that Project RM03-08 was justified and met the Recovery Act goals for accountability and transparency. Naval Facilities Engineering Command Southeast and the Public Works Department at NAS/JRB New Orleans planned, funded, executed, and had personnel and procedures in place to track and report the project as required by the Recovery Act.

Although the contract initially omitted six required Federal Acquisition Regulation clauses, contracting personnel subsequently issued contract modifications to include the clauses.

## What We Recommend

This report contains no recommendations.

## Management Comments

Although no comments were required, the Public Works Department at NAS/JRB New Orleans commented on the discussion draft. We clarified the final report based on these comments.



Poor Drainage Along Runways  
at NAS/JRB New Orleans



Missing Runway Lights at  
NAS/JRB New Orleans



# **Introduction**

## **Objective**

Our overall objective was to evaluate DOD's implementation of the American Recovery and Reinvestment Act of 2009 (Recovery Act), February 17, 2009. We reviewed the implementation of the DOD Recovery Act plans at the Service and installation levels to determine whether individual projects were managed to achieve the accountability and transparency goals of the Recovery Act. Specifically, we determined whether Naval Facilities Engineering Command (NAVFAC) Southeast and the NAVFAC Southeast Public Works Department at Naval Air Station (NAS)/Joint Reserve Base (JRB) New Orleans (the PWD) adequately planned, funded, executed, tracked, and reported project RM03-08 for airfield repairs at NAS/JRB New Orleans to ensure the appropriate use of Recovery Act funds. See the appendix for a discussion of the audit scope and methodology related to the audit objective.

## **Background**

In passing the Recovery Act, Congress provided supplemental appropriations to preserve and create jobs; promote economic recovery; assist those most impacted by the recession; provide investments to increase economic efficiency by spurring technological advances in science and health; and invest in transportation, environmental protection, and other infrastructure. The Recovery Act also established unprecedented efforts to ensure the responsible distribution of funds for its purposes and to provide transparency and accountability of expenditures by informing the public of how, when, and where tax dollars were being spent. Further, the Recovery Act states that the President and heads of the Federal departments and agencies were to expend these funds as quickly as possible, consistent with prudent management.

DOD received approximately \$6.8 billion<sup>1</sup> in Recovery Act funds to be used for projects that support the Act's purposes. In March 2009, DOD released expenditure plans for the Recovery Act, which list DOD projects that will receive Recovery Act funds. The Department of the Navy received \$1.928 billion in Recovery Act funds for Operations and Maintenance; Military Construction; and Research, Development, Test and Evaluation. Table 1 provides specific amounts allocated to each appropriation.

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<sup>1</sup> The \$6.8 billion does not include \$4.6 billion for the U.S. Army Corps of Engineers or \$555 million for the Homeowners Assistance Fund.

**Table 1. Department of the Navy Program-Specific Recovery Act Appropriations**

<b>Appropriations</b>	<b>Amount (millions)</b>
Operations and Maintenance	\$916
Military Construction	937
Research, Development, Test and Evaluation	75
<b>Total</b>	<b>\$1,928</b>

Of the \$1.928 billion appropriated to the Department of the Navy, approximately \$14.9 million (Operations and Maintenance) was allocated to support the repair of airfield lighting and pavement at NAS/JRB New Orleans. The project consists of repairing the drainage system, replacing runway lights and signs, replacing electrical conduits and circuits, and repaving shoulders and other damaged areas of the runways and taxiways.

NAS/JRB New Orleans is one of three Joint Reserve Bases in the country. NAS/JRB New Orleans serves and houses commands from various branches of the Armed Services, including the Army, Navy, Marine Corps, Coast Guard, and Louisiana National Guard. NAS/JRB New Orleans' primary mission is to provide a high-quality training environment for active duty and Reserve Components of all branches of the Armed Services.

# **Audit Results**

We determined that project RM03-08 met the goals for accountability and transparency as provided in the Recovery Act. The project was justified, and NAVFAC Southeast and the PWD at NAS/JRB New Orleans planned, funded, and executed the project in order to achieve the goals of the Recovery Act. In addition, NAS/JRB New Orleans had personnel and procedures in place to track and report the project as required by the Recovery Act. Although the contract initially omitted six Federal Acquisition Regulation (FAR) clauses required by Recovery Act implementation guidance, contracting personnel issued contract modifications to include the clauses.

## **Planning**

NAVFAC Southeast and the PWD appropriately planned the project, which we determined to be justified. According to NAVFAC Southeast personnel, after the PWD initiated the project to repair and replace airfield lighting, NAVFAC Southeast determined the need for additional airfield repairs. Project planning documents stated that NAS/JRB New Orleans maintains a 24-hour operational capability and is the only airfield in New Orleans that supports Federal emergency operations during catastrophic storm events. When it rains, water collects along the shoulders of the runways and taxiways, causing erosion, settlement of the shoulders, and shorts and outages to the electrical lighting system. Planning documents also stated that the runway lights are outdated and do not meet safety standards. Moreover, replacement parts for the runway lights are no longer available. We determined that the project will satisfy a justified need to provide safe runways and taxiways for the Navy, Marines, Air National Guard, Army, and Coast Guard.

NAVFAC personnel used project blueprints and cost estimating systems to develop a detailed cost estimate and complete an economic analysis. The Regional Engineer approved the final cost estimate and submitted it to the Commander, Naval Installation Command. The economic analysis considered possible alternatives to airfield repairs, such as status quo, leasing, and new construction. Based on the economic analysis, NAVFAC personnel concluded that restoration and modernization was the most cost-effective method to provide continued and safe airfield operations at NAS/JRB New Orleans.

## **Funding**

The Navy distributed Recovery Act funds to the project in a timely manner and the funding documents properly identified a Recovery Act designation. Funding documents showed that the Commander, Navy Region Southeast transferred funds to NAVFAC Atlantic on August 24, 2009, and the contract was awarded on August 28, 2009. NAVFAC Southeast awarded the contract for approximately \$2.4 million more than estimated in DOD's expenditure plan for Recovery Act projects. NAVFAC Southeast personnel attributed the additional cost to underestimating both the amount of runway and taxiway shoulder repair work and the complex phasing plan required for that repair work to maintain continuity of operations on active runways. To obtain additional

funding, the Commander, Naval Installation Command used funds from a future Recovery Act project. The Office of the Assistant Secretary of the Navy (Financial Management and Comptroller) approved this process, which was in accordance with May 2009 guidance from the Office of the Under Secretary of Defense (Comptroller).

## **Execution**

NAVFAC Southeast adequately performed the initial execution of the project. In our evaluation of initial project execution, we determined whether the contract was competitively solicited and awarded with full transparency, and whether it contained the clauses the FAR requires for Recovery Act contract actions.

Contracting personnel at NAVFAC Southeast awarded the contract competitively at a firm fixed price of approximately \$14.9 million in August 2009, 4 months earlier than the milestone set by DOD's expenditure plan for the Recovery Act. Contracting personnel at NAVFAC Southeast issued the request for proposal competitively, and four companies responded. The source selection board at NAVFAC Southeast evaluated the proposals based on price and five technical factors. The source selection board determined that Atlantic Electric, LLC provided the best value to the Government because it had the highest overall technical rating and the lowest price. Atlantic Electric, LLC is a certified small business and, based on information from the Central Contractor Registration Web page and the Excluded Parties List System, was approved to contract with the Government.

Contracting personnel properly recorded contract actions to facilitate full transparency. Office of Management and Budget (OMB) Memorandum M-09-15, "Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009," April 3, 2009 describes requirements for reporting Recovery Act funded actions in the Federal Procurement Data System and publicizing actions on Federal Business Opportunities. Contracting personnel properly reported the contract award in the Federal Procurement Data System and announced the solicitation and award on the Federal Business Opportunities Web site.

The contract originally omitted six FAR clauses; however, PWD personnel modified the contract to include these clauses. Contracting personnel at NAVFAC Southeast incorporated most of the FAR clauses required by Recovery Act implementation guidance, including those for whistleblower protection, reporting, the Davis-Bacon Act, and the Buy American Act. However, the contract did not include FAR clause 52.244-6, "Subcontracts for Commercial Items." In addition, we identified five missing contract clauses required by FAR Part 23, "Environment, Energy, and Water Efficiency, Renewable Energy Technologies, Occupational Safety, and Drug-free Workplace." FAR Part 23 prescribes policies and procedures for protecting and improving the quality of the environment. According to OMB Memorandum M-09-15, agencies must comply with

the requirements of FAR Part 23 when acquiring supplies and services<sup>2</sup> using Recovery Act funds. The contract was missing the following clauses required by FAR Part 23:

- FAR 52.223-2, “Affirmative Procurement of Biobased Products Under Service and Construction Contracts;”
- FAR 52.223-9, “Estimate of Percentage of Recovered Material Content for EPA Designated Items;”
- FAR 52.223-14, “Toxic Chemical Release Reporting;”
- FAR 52.223-15, “Energy Efficiency in Energy-Consuming Products;” and
- FAR 52.223-17, “Affirmative Procurement of EPA-designated Items in Service and Construction Contracts.”

Without these clauses, the Navy could not hold contractors accountable for all Recovery Act requirements, and the project’s completion may not protect and improve the environment. Since we identified this issue, PWD personnel modified the contract to include the six missing clauses.

## **Tracking and Reporting**

Although airfield construction had not started at the time of our review, the PWD at NAS/JRB New Orleans had adequate personnel and procedures in place to track and report the project. The PWD assigned an engineering technician and a construction manager to monitor project schedules, address nonconformances, and ensure the contractor meets contract requirements.

In addition, the contracting officer reviewed the information reported by the contractor to ensure the contractor reported required Recovery Act information. FAR clause 52.204-11, “American Recovery and Reinvestment Act – Reporting Requirements,” requires contractors for Recovery Act projects to report project information at <http://www.FederalReporting.gov>. Atlantic Electric, LLC reported the project’s total dollar value, project status, and sub-contract awards for the first quarter of FY10.

## **Conclusion**

We concluded that project RM03-08 to repair airfield lighting and pavement at NAS/JRB New Orleans filled a justified need. NAVFAC Southeast officials and the Public Works Department at NAS/JRB New Orleans adequately planned, funded, and executed the project in accordance with the accountability and transparency goals of the Recovery Act. In addition, the Public Works Department at NAS/JRB New Orleans had personnel and procedures in place to track and report the project as required by the Recovery Act. Although the contract initially omitted six FAR clauses, PWD personnel modified the contract to include these clauses. Therefore, this report contains no recommendations.

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<sup>2</sup> According to the definition of an acquisition in FAR Subpart 2.101, construction is a service.

## **Appendix. Scope and Methodology**

We conducted this performance audit from October 2009 through May 2010. We interviewed personnel from NAVFAC Southeast and the Public Works Department at NAS/JRB New Orleans. We reviewed documentation including the official contract file, DD Forms 1391, economic analysis, and cost estimates. We reviewed processes for tracking and reporting Recovery Act projects. We also toured the airfield.<sup>3</sup> We reviewed Federal, DOD, and Navy guidance, and compared this guidance with our audit results.

We generally complied with government auditing standards. We followed the audit documentation and fieldwork standards for this audit. However, due to the unique requirements of the Recovery Act, along with time limitations for executing this audit, we did not fully comply with some planning and reporting standards. Specifically, we did not fully comply with planning standards on the assessment and reduction of fraud risk, and reporting standards on internal control deficiencies. Generally accepted government auditing standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. We believe omitting some aspects of these standards did not limit our ability to conclude accurately on our audit objectives.

### **Use of Technical Assistance**

Before selecting DOD Recovery Act projects for audit, the Quantitative Methods and Analysis Division (QMAD) of the DOD Office of Inspector General analyzed all DOD agency-funded projects, locations, and contracting oversight organizations to assess the risk of waste, fraud, and abuse associated with each. QMAD selected most audit projects and locations using a modified Delphi technique, which allowed them to quantify the risk based on expert auditor judgment and other quantitatively developed risk indicators. Initially, QMAD selected 83 projects with the highest risk rankings; auditors chose some additional projects at the selected locations.

QMAD did not use classical statistical sampling techniques that would permit generalizing results to the total population because there were too many potential variables with unknown parameters at the beginning of this analysis. The predictive analytic techniques employed provided a basis for logical coverage not only of Recovery Act dollars being expended, but also of types of projects and types of locations across the Military Services, Defense agencies, and National Guard units.

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<sup>3</sup>At the time of our review, repairs on the airfield had not yet started.

## **Prior Audit Coverage**

The Government Accountability Office, the Department of Defense Inspector General, and the Military Departments have issued reports and memoranda discussing DOD projects funded by the Recovery Act. You can access unrestricted reports at <http://www.recovery.gov/accountability>.







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